

Message Text

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ACTION EB-08

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FM AMEMBASSY ADDIS ABABA
TO SECSTATE WASHDC 2810
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UNCLAS ADDIS ABABA 01044

E.O. 11652: N/A
TAGS: EAGR, EPAP, ET
SUBJECT: GEREAL SITUATION IN ADDIS ABABA

1. EMBASSY HAS RECENTLY OBTAINED A COPY OF A STATISTICAL REPORT ON CEREAL ARRIVALS IN ADDIS(EXCLUDING INTERNATIONAL IMPORTS, I.E. WHEAT IMPORTS) PREPARED BY ETHIOPIAN GRAIN BOARD. DATA CONTAINED IN THIS REPORT FOLLOWS AFTER TEXT AS TABLES A. AND B. SITUATION DEPICTED BY TABLES IS CLEARLY ENCOURAGING IN TERMS OF TOTAL CEREAL AVAILABILITIES. WHILE TEFF INFLOWS (TABLE B) DURING THE PAST THREE MONTHS ARE SOMEWHAT BELOW THOSE OF THE PREVIOUS YEAR, ALL OTHER ARRIVALS ARE UP, IN SOME CASES SHARPLY , E.G. CORN, SORGUHUM AND MILLET. IT ALSO SHOULD BE NOTED THAT ROUGHLY TWO-THIRDS OF THE AMOUNT OF ALL CEREALS WHICH ARRIVED IN ADDIS DURING CEREAL YEAR 1975/1976 (SEPT. 1975 - AUG. 1976) ARRIVED BY THE END OF JANUARY 1977 FOR THIS DCEREAL YEAR (SEPT. 1976 - AUG 1977). THIS SUGGESTS THAT ADDIS ABABA WILL PROBABLY NOT SUFFER FROM AN OVERALL CEREAL SHORTAGE DURING CEREAL YEAR 1976-1977 ALTHOUGH THERE MAY WELL BE LESS TEFF AVAILABLE THIS CEREAL YEAR THAN LAST AS PRODUCTION IS REPORTEDLY DOWN SOMEWHAT. DOMESTICALLY PRODUCED WHEAT IS ALSO DOWN FROM

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LAST YEAR THEREBY NECESSITATING IMPORTS
IF WHEAT CONSUMPTION IS TO REMAIN AT TRADITIONAL LEVELS.

2. COMMENTS: WHILE THE QUALITY OF THE DATA COLLECTED BY THE GRAIN BOARD SHOULD NOT BE CONSIDERED TOTALLY ACCURATE, THE DATA STILL OFFERS A GENERALLY RELIABLE PICTURE OF THE CURRENT SITUATION. OFFICIALS AT THE

GRAIN BOARD BELIEVE THAT HTHIS YEAR'S DATA IS PROBABLY MORE ACCURATE THAN LAST YEAR'S AS THE SITUATION THEN WAS CONSIDERABLY MORE UNSETTLED AND UNDERRECORDING OF ARRIVALS MAY HAVE OCCURRED. IT IS SOMEWHAT SURPRISING THAT, GIVEN THE QUANTITIES AVAILABLE IN ADDIS, THE PRICES HAVE NOT DECLINED MORE THAN THE THREE TO FIVE BIRR PER QUINTAL (CORN EXCLUDED) THUS FAR EXPERIENCED . THE MOST LIKELY REASON FOR THIS IS CONTINUED STRONG DEMAND AS MANY GROUPS BUY EITHER FOR THEIR PERSONAL REQUIREMENTS OR, IN THE CASE OF SOME MERCHANTS, ARE REPLENISHING THEIR INVENTORIES WHICH WERE ALMOST COMPLETELY DEPLETED LAST CEREAL YEAR. IN ADDITION, FARMERS ARE PROBABLY LESS WILLING TO SELL AT LOWER PRICES AFTER HAVING EXPERIENCED HIGH PRICES FOR THEIR OUPUT LAST YEAR. FROM THE QUANTITIES ARRIVING IN ADDIS, IT ALSO SEEMS REASONABLE TO CONLCUDE THAT FARMERS ARE MORE PREPARED TO TO SELL THIS YEAR THAN LAST. THIS PROBABLY RESULTS FROM A NUMBER OF FACTORS. (1) THE ZEMETCHA (DEVELOPMENT THROUGH COOPERATION CAMPAIGN STUDENTS) ARE NO LONGER IN THE COUNTRYSIDE ADVISING FARMERS NOT TO SELL THEIR OUTPUT. (2) IN MOST OF THE PROVINCES WHICH PROVIDE CEREALS TO THE ADDIS MARKET, THERE IS LESS TURMOIL AND UNREST THAN WAS THE CASE A YEAR AGO. CONSEQUENTLY, FARMERS MAY NOT FEEL THEY REQUIRE AS LARGE A CEREAL RESERVE AS THEY DID LAST YEAR. (3) AS NOTED ABOVE, PRICES HAVE REMAINED STRONG SO SUPPLY RESPONSES TO THESE HIGH PRICES MAY BE INCREASING. IT SHOULD BE NOTED THAT WHEAT SUPPLY IS UP MARGINALLY UNCLASSIFIED

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BUT STILL CONSIDERABLY BELOW THE MONTHLY REQUIREMENT FRO COMMERCIAL FLOUR MILLS. CONSEQUENTLY, IT SEEMS LIKELY THAT, IN SPITE OF THESE RATHER SHARP INCREASES IN OVERALL CEREAL SUPPLY, THE GOVERNMENT WILL PROCEED WITH ITS PLANNED WHEAT IMPORT PROCUREMENT FOR THIS CALENDAR YEAR.

IN LIGHT OF THIS INFORMATION, THE EMBASSY ANTICIPATES STEADY TO SLIGHTLY DECLINING CEREALS PRICES OVER THE NEXT SEVERAL MONTHS WITH PERHAPS SOME INCREASE DURING THE RAINY SEASON (JUNE THROUGH SEPTEMBER). SHOULD THIS PROVE TO BE THE CASE, THE RATE OF INFLATION IN ETHIOPIA WILL PROBABLY DECLINE TO AROUND 10 PERCENT PER ANNUM. IN FACT, DURING THE PAST FOUR MONTHS THE RETAIL PRICE INDEX IN ADDIS HAS BEEN STEADY WITH THAT FOR CEREALS AND FOOD IN GENERAL DECLING MARGINALLY.

(000 TONS)

TABLE A

TEFF WHEAT MAIZE BARLEY SORGHUM & TOTAL
MILLET

SEPT .75-AUG.76 76.3 33.1 25.7 13.9 7.8 156.8

SEPT.76-JAN.77 24.2 27.4 31.9 12.9 7.3 103.7

(5 MONTHS ONLY)

TABLE B

NOV. 75 7.4 4.8 1.7 1.3 .2 15.3

DEC. 75 5.6 3.4 2.1 .6 .1 11.9

JAN . 76 4.2 2.8 1.9 .8 .2 9.9

TOTAL 17.2 11.0 5.7 2.7 .5 37.1

NOV. 76 5.7 7.7 4.7 2.6 1.6 22.2

DEC. 76 4.6 4.2 10.6 2.2 1.8 23.4

JAN. 77 5.1 2.6 9.8 2.8 1.3 21.7

TOTAL 15.4 14.5 25.1 7.6 4.7 67.3

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